

Message Text

CONFIDENTIAL

PAGE 01 MOSCOW 01214 261557Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SS-15 L-03 NSC-05 CIAE-00 INR-07

NSAE-00 PA-01 PRS-01 USIA-06 ERDA-05 TRSE-00 OES-06

FAA-00 DOTE-00 /070 W

-----261606Z 053079 /53

R 261520Z JAN 77

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 3503

INFO USDOC WASHDC

C O N F I D E N T I A L MOSCOW 1214

USDOC FOR BEWT/USSR (HEISS)

EO 11652: GDS

TAGS: TGEN TECH PFOR UR US

SUBJECT: US-USSR TECHNOLOGY TRANSFER AND TRADE

REF: MOSCOW 996

SUMMARY. AN OFFICIAL OF THE STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY

EXPRESSED DISSATISFACTION WITH THE BALANCE OF US-SOVIET TRADE IN HIGH TECHNOLOGY AND MANUFACTURED GOODS. STRUCTURAL WEAKNESSES IN THE SOVIET R&D EFFORT (AS WELL AS TIGHT U.S. CREDITS AND LACK OF MFN) WERE CITED BY THE SOURCE AS LIMITING TRADE AND CONTRIBUTING TO SOVIET BALANCE OF PAYMENT DIFFICULTIES. END SUMMARY.

1. DURING DISCUSSION WITH SCICOUNS JANUARY 21, EDUARD AYKAZYAN, DIRECTOR, AMERICAN DESK, STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, STATED THE SOVIETS ARE CONCERNED WITH THE LARGE TRADE DEFICIT WITH THE U.S. AND THE WEST WHICH HE ATTRIBUTED IN PART TO THEIR INABILITY TO SELL HIGH TECHNOLOGY ITEMS. HE LISTED THE FOLLOWING SPECIFIC PROBLEMS.

(A) US-USSR TECHNOLOGY AGREEMENTS AND SALE OF SOVIET TECHNOLOGY TO US
AKYAZYAN STATED THE SOVIETS HAVE SIGNED 58 TECHNOLOGY TRANSFER
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MOSCOW 01214 261557Z

AGREEMENTS WITH U.S. FIRMS UNDER ARTICLE 4 OF THE S&T AGREEMENT. SOME OF THESE ARE WORKING BETTER THAN OTHERS BUT OVERALL PERFORMANCE AS BEEN DISAPPOINTING. HE SAID THE REASON FOR THIS IS THAT THE USUAL COMPENSATION ARRANGEMENTS, WHEREBY THE SOVIETS MANUFACTURE HIGH TECHNOLOGY ITEMS UNDER U.S. LICENSE, ARE NOT REALLY ECONOMICALLY INTERESTING TO THE US TRADING PARTNER; THE MARKET LIFE OF A HIGH TECHNOLOGY ITEM MIGHT BE THREE TO FOUR YEARS WHEREAS IT TAKES FIVE

TO SIX YEARS BEFORE THE SOVIETS ARE READY TO PRODUCE HIGH TECHNOLOGY ITEMS UNDER LICENSE. THEREFORE THE US COMPANIES WOULD FIND THE SOVIET REPAYMENT PRODUCT FOR SUCH LICENSES TO BE AT BEST marginally marketable in the west. AYKAZYAN STATED THE SOVIETS ARE THEREFORE ATTEMPTING ANOTHER APPROACH; I.E., TO INDUCE US FIRMS PARTICIPATING IN THESE AGREEMENTS TO BUY SOVIET LICENSES FOR PRODUCTION IN THE WEST. HE SAID THE TEST CASE FOR THIS WILL BE THE VARIAN CORPORATION, WHICH IS ENGAGED NOW IN A US MARKET SURVEY FOR SOVIET-HELD PATENTS ON MEDICAL AND MEASURING INSTRUMENTATION. ACCORDING TO AYKAZYAN, VARIAN HAS BEEN GIVEN A "HUNTING LICENSE" TO EXAMINE RESEARCH RESULTS AT VARIOUS INSTITUTES OF THE ACADEMY OF SCIENCES AND VARIOUS LABORATORIES OF THE MINISTRY OF THE MEDICAL INDUSTRY AND THE MINISTRY OF INSTRUMENTATION, AUTOMATION AND CONTROL SYSTEMS. HEWLETT-PACKARD ALSO HAS BEEN OFFERED A SIMILAR DEAL. WHEN QUESTIONED BY SCICONS WHY THE SOVIET DO NOT MANUFACTURE THESE ITEMS THEMSELVES, AYKAZYAN RESPONDED THAT THE PROBLEM IS THREE-FOLD (1) IT HAS BEEN TRADITIONALLY VERY DIFFICULT TO INDUCE SOVIET SCIENTISTS TO THINK OF POSSIBLE APPLICATIONS OF THEIR FUNDAMENTAL RESEARCH RESULTS (2) THE INSTITUTES OF THE ACADEMY OF SCIENCES HAVE NOTORIOUSLY WEAK RELATIONSHIPS WITH THE PRODUCTION MINISTRIES, WHICH HAVE THEIR OWN R&D LABORATORIES AND (3) WITHIN THE PRODUCTION INDUSTRIES THE SHORTAGES AND DEFICIENCIES OF ENGINEERING PERSONNEL HAVE RESULTED IN THE INABILITY TO GET FUNDAMENTAL RESEARCH ACHIEVEMENTS TRANSLATED INTO MARKETABLE PRODUCTS. AYKAZYAN STATED THAT KIRILLIN PERCEIVES THIS HYDRA-HEADED PROBLEM AS ONE OF HIS MAIN CHALLENGES AT THE SCST.

(B) MFN AND CREDITS. AYKAZYAN STATED THAT TIGHT US CREDITS HAVE FORCED US FIRMS TO PUT ON ICE A NUMBER OF PROMISING CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MOSCOW 01214 261557Z

PROJECTS IN THE SOVIET UNION; FIRMS MENTIONED WERE INTERNATIONAL PAPER, KAISER AND ALCOA. OTHER US FIRMS SUCH AS BROWN AND ROOT AND TENNECO ARE LOOKING TO INTERNATIONALIZE THEIR PROJECTS HERE DUE TO LACK OF US CREDITS (MANUFACTURE OF OFF-SHORE DRILLING RIGS AT BAKU AND NORTH STAR GAS DEVELOPMENT). AYKAZYAN SAID LINES OF CREDIT FROM

OTHER WESTERN NATIONS, IN PARTICULAR GREAT BRITAIN, HAVE NOT BEEN PARTICULARLY USEFUL SINCE THE SOVIET UNION FINDS LITTLE OF INTEREST IN UK HIGH TECHNOLOGY. TURNING TO MFN, AYKAZYAN NOTED THAT THE SCST IS FINDING IT DIFFICULT TO INTEREST PRODUCERS IN THE SOVIET UNION TO EXPORT MANUFACTURED GOODS TO THE UNITED STATES SINCE US IMPORTERS CAN ONLY OFFER LOW PRICES TO COMPENSATE FOR THE DUTIES PLACED ON SOVIET GOODS DUE TO LACK OF MFN. HE ADDED THAT ABSENCE OF MFN ALSO HAS A STRONG PSYCHOLOGICAL IMPACT NOTING THAT THIS PLAYED A ROLE IN THE SOVIET DECISION TO PURCHASE AN AIR TRAFFIC CONTROL SYSTEM FOR SWEDEN RATHER THAN THE US. (REPORTED REFTTEL).

2. COMMENT. WHILE AYKAZYAN'S COMMENTS ON MFN AND CREDITS ARE THE STANDARD SOVIET LINE WE DO FIND OF NOTE HIS COMMENTS

ON THE DISAPPOINTING RESULTS OBTAINED WITH US COMPANIES
THROUGH AGREEMENTS UNDER ARTICLE 4 OF THE S&T AGREEMENT. THE
SOVIETS' WILLINGNESS TO PROVIDE HUNTING LICENSE TO A US FIRM TO
EXPLOIT RESEARCH THE SOVIETS ARE UNABLE TO DEVELOP BY THEMSELVES
IS A SIGNIFICANT ADMISSION OF THE SORRY STATE OF SOVIET DOMESTIC
R&D.
END COMMENT.
TOON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE BALANCE, REPORTS, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MOSCOW01214
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770028-0729
Format: TEL
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770116/aaaaaogb.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f52708d1-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 MOSCOW 996
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3496893
Secure: OPEN
Status: NATIVE
Subject: US-USSR TECHNOLOGY TRANSFER AND TRADE
TAGS: TGEN, TECH, PFOR, UR, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f52708d1-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009